

MINUTES OF THE REGULAR MEETING  
OF THE HOUSING AND COMMUNITY DEVELOPMENT  
CORPORATION OF HAWAII  
HELD AT THEIR OFFICE AT MAUI STATE OFFICE BUILDING  
54 SOUTH HIGH STREET,  
3RD FLOOR CONFERENCE ROOM B,  
WAILUKU, MAUI  
ON THURSDAY, MAY 19, 2005,  
IN THE COUNTY OF MAUI, STATE OF HAWAII

The Board of Directors of the Housing and Community Development Corporation of Hawaii met for a regular meeting at the Maui State Office Building, 54 South High Street, 3rd Floor Conference Room B, Wailuku, Maui on Thursday, May 19, 2005 at 9:10 a.m.

CALL TO  
ORDER/  
ROLL CALL

The meeting was called to order by Chairman Charles Sted and, on roll call, those present and absent were as follows:

PRESENT: Director Francis L. Jung  
Director Charles King  
Director Betty Lou Larson  
Designee Rick Manayan  
Designee Henry Oliva  
Director Charles Sted  
Director Travis O. Thompson

Executive Director Stephanie Aveiro

EXCUSED: Director Linda Smith

Staff Present: Sandra Ching, Deputy Attorney General  
Pamela Dodson, Executive Assistant  
Janice Takahashi, Planner  
Darren Ueki, Finance Manager  
Cliff Libed, HCDCH Maui Area Manager  
Shirley Higa, Secretary to the Board

OTHERS: Don Couch, Office of the Mayor, Maui County  
Marvin Awaya, Pacific Housing Assistance Corp.  
Stacy Sur, HCRC/HIAHI  
Mike Koessel, Citigroup Global Markets, Director  
Joseph Lo, Citigroup Global Markets, Associate  
Stacey S. Moniz  
Richard "Noosh" Nishihara  
Rico Brazil, Alliance Capital Co.

Chairman Sted declared a quorum was present.

QUORUM

Staff's recommendation was presented as follows:

That Ms. Stacey S. Moniz, Mr. Richard "Noosh" Nishihara  
and Mr. Mark Nishino be reappointed to the Maui Eviction  
Board for a two-year term expiring on August 31, 2007

Director Thompson moved, seconded by Designee Manayan

That staff's recommendation be approved.

REAPPOINT-  
MENT OF  
MS.  
STACEY S.  
MONIZ,  
MR.  
RICHARD  
"NOOSH"  
NISHIHARA  
AND

Executive Director Stephanie Aveiro stated that staff is recommending three reappointments to the Maui Eviction Board. She then introduced two of the people who were being recommended: Stacey Moniz and Richard "Noosh" Nishihara to the Board.

Director Thompson expressed appreciation on behalf of the Board to Ms. Moniz, Mr. Nishihara as well as to Mark Nishino who was unable to attend for their willingness to continue to serve the community as a member of the Maui Eviction Board.

Ms. Moniz stated that she is with a local domestic violence program on Maui. She is aware of cases where a victim of domestic violence is the lessee and unfortunately may be evicted for non-payment of rent. Although these and the other cases are difficult to proceed with the eviction, Ms. Moniz agreed that rules and regulations need to be adhered to noting the long waiting list of people for public housing who are willing to abide by the rules, given the opportunity.

Director Thompson then asked if there were any suggestions as to improving the current eviction process.

Ms. Moniz stated that the new rules and regulations that are in place would greatly expedite the process. It sends a clear message to the tenants that eviction is real and that it will be executed.

Mr. Nishihara added that by the time the tenants face the eviction board, it is much too late for many of the residents as by that time, their balance may be \$10,000 or more. The process needs to be more streamlined as residents will often stop paying their rent from the first notice of non-payment and their balance then begins to multiply.

Director Larson thanked both Ms. Moniz and Mr. Nishihara and other volunteers who serve on the eviction boards.

In closing, both Ms. Moniz and Mr. Nishihara acknowledged Maui Area Manager Clifford Libed and his staff for their support with their work noting that there is a critical shortage of affordable housing on Maui.

There being no further discussion, the motion was unanimously carried.

Director King moved, seconded by Designee Manayan

That the minutes of April 14, 2005 be approved.

Director Thompson stated that there was a lengthy and important discussion that was held during the Office of Executive Director Report, regarding the Memorandum of Agreement (MOA) that was not included in the minutes. He requested that the minutes be amended to reflect the discussion as follows:

Office of Executive Director Report - Memorandum of Agreement (MOA), Page 170, Paragraph 1, be changed to read:

Ms. Aveiro stated that staff would be responding to HUD before the deadline of April 15, 2005. Staff has yet to receive comments from HUD for its report submitted in March 2005. Although staff has written to HUD that it has not received any feedback since March, staff will continue to proceed aggressively in fulfilling the requirements of the MOA. Weekly meetings are held between HCDCH and

MR.  
MARK  
NISHINO  
TO THE  
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EVICTION  
BOARD  
FOR A  
TWO-YEAR  
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EXPIRING  
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08/31/2007

APPROVAL  
OF  
MINUTES -  
4/14/2005

HUD to ensure that there is a common understanding of all expectations of HUD to meet the requirements so as not to prevent HCDCH from meeting its deadline. Ms. Aveiro reiterated that the staff of HCDCH is determined to meet the September 30, 2005 deadline.

The discussion continued that HCDCH was complying with the spirit and intent of the MOA. A suggestion was made that the Executive Director request HUD to release HCDCH from the MOA and the designation of troubled agency based on performance and financial report.

Director King moved, seconded by Designee Oliva to amend the minutes as recommended. The motion was unanimously carried.

The motion by Director King, seconded by Designee Manayan to accept the minutes was also unanimously carried.

Executive Director Stephanie Aveiro announced that staff has completed 28 of the 120 targets and strategies of the Memorandum of Agreement (MOA). Ms. Aveiro reviewed the events during the past month with HUD:

OFFICE  
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REPORT  
  
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MENT  
(MOA)

- Met with Michael Flores, Director of Office of Public Housing, of HUD to review each outstanding item of the MOA and what staff needs to do to clear them;
- HCDCH staff continues to meet with HUD staff on a weekly basis to monitor the progress and ensure all parties share the same understanding;
- Staff has noticed a change in HUD's attitude and is more amenable to closing items of the MOA as compared to previous meetings where HUD would add tasks;
- HUD recognizes that it is moving toward project-based accountability which is not in line with the items required by the MOA;
- Staff has developed policies which has made the work flow more efficient which also reflects on its determination to meet the September 30, 2005 deadline; and
- The Corrective Action Order (CAO) issued by HUD in September 2002 is nearing closure.

Chairman Sted expressed his pleasure regarding the closure of the CAO.

Director Thompson commented that the Board should be more proactive in resolving the issue of the MOA.

Ms. Aveiro noted that staff has made much progress with HUD. An interim appointee for the Assistant Secretary of the Office of Public and Indian Housing has been made. Staff is very confident that it will meet the September 30, 2005 deadline.

Director King asked about the status of filling the position of a Resident Director. Ms. Aveiro explained that the Office of the Governor has requested a new set of names because some of the names submitted did not meet the criteria they use to select all Board and Commission members; staff is currently awaiting written request.

Director Larson added that there would be another vacancy on the Board as the Rental Housing Trust Fund Advisory Commission (RHTFAC) is scheduled to sunset on June 30, 2005.

Ms. Aveiro responded that there would be an interim appointment to fill the vacant position that would replace the Chair of the RHTFAC with a representative from the continuum of care community.

Chief Planner Janice Takahashi reported that appropriations for the Capital Improvement Projects which were approved and transmitted to the Governor were:

LEGIS-  
LATIVE  
UPDATE

- \$5 million was appropriated for the next two fiscal years for design and construction for repair and maintenance, site improvements and renovations of existing housing projects statewide;
- \$2 million for FY 2006 and FY 2007 for design and construction of large capacity cesspool conversions;
- \$500,000 for plans, land, design, construction of Leeward coast homeless shelter for FY 2006; and
- \$1.5 million for plans, design, construction of Hana Ranch affordable housing development for FY 2006.

HB 1308, known as the Legacy Land bill, increases the conveyance taxes for properties valued at more than \$600,000. This bill also increases the Rental Housing Trust Fund (RHTF) portion of the taxes from 25% to 30% effective July 1, 2005.

Ms. Takahashi also summarized Omnibus Housing Bill, SB 179 as follows:

- Provides new resources to develop affordable housing such as General Excise Tax (GET) exemption for privately-developed rentals, more flexibility for the RHTF, allows the Dwelling Unit Revolving Fund (DURF) to be used for permanent financing;
- Streamlines approvals by repealing RHTFAC;
- Separates HCDCH into two entities: Hawaii Public Housing Administration (HPHA) to develop and maintain public housing and the Hawaii Housing Finance and Development Administration (HHFDA) to finance and develop housing effective July 1, 2006;
- Creates a joint legislative task force consisting of the two Housing Committee Chairs and other members of the Legislature to identify near-term solutions to Hawaii's affordable rental housing and homeless problems; and
- Requires HCDCH to prepare an implementation plan for the reorganization of the State's housing functions.

Ms. Takahashi noted that funds were not appropriated for the implementation of the division of the agency. Each agency will have its own Board of Directors with the HHFDA having members from each county and an advocate for low-income housing as well as the Directors from the Department of Budget and Finance and the Department of Economic Development and Tourism and a representative from the Office of the Governor. The Board representing HPHA will have the Director of the Department of Human Services or his/her representative together with eight public members including one resident representative.

Both agencies will have an Executive Director and Executive Assistant.

Director Thompson asked Ms. Aveiro if there are any resources that could be used to implement the reorganization.

Ms. Aveiro stated that she has assigned the Planning and Evaluation Office (PEO) to outline a process that will involve staff, HUD and other stakeholders. It may require meeting on a weekly basis to accomplish the reorganization by July 1, 2006. Ms. Aveiro recommends consideration be given to a state vs. federal division as HUD is moving toward project-based accounting, and the Federal low-rent housing projects should be in the HPHA. The State low-rent housing projects however should be placed in HHFDA as it uses state funds and is a state asset. This would then have the HPHA restricted to only federal funds. There needs to be further discussion regarding the Homeless Program, which is funded by State monies.

Ms. Takahashi continued her report by explaining that the joint legislative Task Force will also have the ability to have oversight over HCDCH.

Also, in the event there is substantial default of the MOA declared by HUD prior to July 1, 2007, specific funds such as the RHTF and DURF, will be transferred to Department of Budget and Finance to fulfill the purposes of the funds. Ms. Aveiro added that the bill that would prevent the Legislature from any future transfer of funds to the General Fund did not pass. Chairman Sted recalled that Ms. Aveiro had predicted that the scenario would become worse before it gets better but that the agency will move forward after that.

Ms. Takahashi concluded her report by informing the Board that the official bill signing for the Omnibus Housing Bill (SB 179) is tentatively scheduled for Tuesday, June 7. The Board will be notified and invited to attend the event after the time has been confirmed.

Director Jung commented on HB 931, Affordable Housing as it prevents those who have residential leases on their agricultural leased properties from purchasing their fee title under Chapter 516, HRS. He asked if this would apply to those leases whether they may not be considered affordable as well.

Ms. Takahashi answered the bill was intended for residential properties that qualify as sustainable affordable developments. She further acknowledged that the County of Hawaii's affordable housing project will have sustainable leases and single family homes will be sold in leasehold to keep the residential housing affordable.

Director Jung commented that island of Hawaii has land that may average 14,000 sq. ft. and is zoned agricultural but specific for residential leases.

Director Larson referred to HB 1308, which increased the conveyance tax as well as the proportion allocated to the RHTF. Due to the potential increase in funds for the RHTF, HCDCH should encourage the Governor to sign the bill.

Ms. Takahashi noted that HCDCH as well as the Department of Land and Natural Resources (DLNR) have expressed support for the bill. However, the increase in conveyance tax may be a deterrent for the bill's passage.

Ms. Aveiro continued with her report by informing the Board of the following events that staff had been involved with or are currently involved with:

- Currently preparing for the Real Estate Assessment Center (REAC) inspections, which will begin shortly. The REAC scores will reflect the physical condition of the federal public housing projects; and
- Discussion held with Joe Calcara of the Realty Officer, Naval Facilities Engineering Command, Pacific Division and Directors Sted and Smith for clarification on the asset management study.

Ms. Aveiro further informed the Board about the status of the Uluwehi Apartments which is scheduled to proceed with its demolition; the contractor will begin with preliminary work such as installing fencing of the area on May 25, 2005. Although there are some who may voice their concerns against the proposed demolition, Ms. Aveiro stated that the residents who live in close proximity of the project have expressed their pleasure and support that the demolition is being scheduled. In response to the Chair's inquiry, Ms. Aveiro added that Representative Mike Kahikina is in support of the demolition as well.

Ms. Aveiro also informed the Board of a written request from Mike Sessions of Innovative Housing Solutions - Habitat for Humanity, to refrain from the demolition for 30 days. This request was addressed by Chairman Charles Sted in a letter to Mr. Sessions dated May 12, 2005 stating that HCDCH will proceed with the demolition project as planned.

The Executive Director continued with her report with a discussion on a letter to the HCDCH Board of Directors dated May 12, 2005 from Sen. Donna Mercado Kim regarding the leadership at HCDCH as well as the actions and performance by the Executive Director and staff. Chairman Sted suggested that an acknowledgement of the receipt of the letter should be done as quickly as possible. At the next Board meeting the Directors will formulate a response.

Ms. Aveiro then introduced Clifford Libed, Maui Area Manager for HCDCH.

Director Thompson expressed his concern about the outstanding balances of uncollectible rent payments and the need for a plan by all area managers to bring the total balance down. He further commented on the extremely long wait list by people who are willing to pay their rent on a timely basis given an opportunity to do so.

Director Thompson then referred to the contract portion of the Executive Director's Report regarding the award to Urban Management Corp. He asked if the contract was awarded on a competitive or performance-based criteria. Ms. Aveiro answered that it was not as it was an extension of the original contract for a one-year period. Ms. Aveiro added that the project is extremely difficult to manage and it was determined to be more feasible to extend the contract until next year when all projects will be on a project-based accounting system.

Director Larson asked whether or not the proposed rules regarding the grievance process would be brought before the Board for action. Ms. Aveiro explained that the proposed rules were presented to the Board and are now planned for public hearing for comment. If there are no substantive comments, then the proposed rules will be forwarded to the Governor for her signature to make them official.

Ms. Aveiro stated that members of the Board's Audit Subcommittee were notified that the agency submitted its non-audited financials and received 22 points in its recent Public Housing Assessment System (PHAS) score for 2005. Staff is also ready to accompany the REAC inspectors during the REAC inspections that are also part of PHAS. The management section has worked extremely hard to repair the units and have expended approximately \$2 million in repair work. The results of the inspections will begin to be available in June or July; staff expects to maintain the high scores it had previously received and improve on the others with some exceptions.

Director Jung reported that the subcommittee is dormant as the Executive Director is acting on the subcommittee's recommendations. The Chair then declared that the subcommittee by disbanded.

CONTRACTS  
SUB-  
COMMITTEE

Director Thompson stated that the Finance and Audit Subcommittee reports would be part of the discussion in agenda item no. 4 relating to the Single Family Mortgage Purchase Revenue Bonds Issue.	FINANCE/ AUDIT SUB- COMMITTEES
The Chair thanked Director Thompson, Chief Accountant Sherry Noguchi and the current auditors for their efforts with the audit report. Director Thompson acknowledged Ms. Noguchi for her many accomplishments, which led to a successful audit.	
Chief Planner Janice Takahashi reported that seven (7) proposals to provide financial technical assistance were received on May 2, 2005 in response to the April 7th Request for Proposals. The evaluation team was comprised of Chief Accountant Sherry Noguchi, Compliance Officer Patti Miyamoto, and herself. Ms. Takahashi stated that she is working to obtain HUD's approval to contract with an Offeror. Director Thompson noted that the proposals range from \$93,000 to nearly \$1 million and expressed his disappointment that three (3) proposals were disregarded because they were incomplete.	ORGANI- ZATIONAL SUB- COMMITTEE
Staff's recommendation was presented as follows:  That the HCDCH Board adopt Resolution No. 095, effectuating the sale of the Single Family Mortgage Purchase Revenue Bonds, 2005 Series A and B, and authorize the execution of all required documentation for the Bond sale.	ADOPTION OF RESOLU- TION NO. 095 AUTHOR- IZING THE ISSUANCE, SALE AND DELIVERY OF SINGLE FAMILY MORTGAGE PURCHASE REVENUE BONDS, 2005 SERIES 1 AND B, FOR THE HULA MAE SINGLE FAMILY PROGRAM
Director Thompson moved, seconded by Director King  That staff's recommendation be approved.	
Finance Branch Manager Darren Ueki introduced Mike Koessel and Joseph Lo of Citigroup Global Markets.	
Mr. Ueki explained that on November 18, 2004 staff met with the Board's Finance Subcommittee to discuss the issues that were faced by the Hula Mae Single Family Program as well as possibly issuing additional Hula Mae Single Family bonds.	
After further discussion, staff has proceeded with the bond issuance, which will assist approximately 100-200 families with purchasing their homes by making approximately \$45 million available for mortgage loans. This is made possible by:  \$11.8 million (refunding of mortgage principal payments from prior bond issues)  + \$33.0 million (uncommitted 1997, 1998 and 2002 Hula Mae funds) ≈ \$45.0 million	
The refunding of the prior bond issues will lower the interest rate on the 30-year mortgages to approximately 4.55%. The final mortgage rate will be determined when the bonds are priced during the week of May 29, 2005. The adoption of Resolution No. 095 will effectuate the sale of the bonds. Mr. Ueki continued that this would support the mission of HCDCH, which is to not only assist the homeless and the low-income population, but as well as to encourage home ownership.	

Director Thompson commented that after the proposed bond sale takes place, the Board should seriously consider whether the agency should continue to issue bonds in the future. Although it is assisting a part of the population to become homeowners, the impact it has on the workload for the staff of the Finance Branch should be considered.

Director Jung commented that he would be in favor of continuing the bond issues as interest rates are increasing making it that much more difficult to get loans. Additionally, Kona is an isolated area, which has no affordable housing available.

Director Thompson noted that the list of targeted areas that the agency has identified does not include Kona. Mr. Ueki added that although the lending institutions will not be required to provide financing in the targeted areas, they would be required to use reasonable efforts to originate loans in these areas. Mr. Ueki continued that he agreed that interest rates will likely to rise and that the Hula Mae loans will then become more competitive and will be in demand. Lenders have expressed that they would like to see the program continue.

Mr. Koessel of Citigroup commented that when the lenders were initially approached regarding the proposed Hula Mae loans, it was a common request that the interest rates be kept low and this will make the loans competitive in the open market. In order to fulfill this request, the tax-exempt bonds were leveraged and high-rate bonds were refinanced to low-rate bonds and will initially save approximately \$1.8 million per year. Some of the savings will be used to strengthen the indenture. The bonds are rated AAA and the interest rate to the homeowners will be sub-5%.

Mr. Ueki added that to use additional subsidies would further bring down the interest rates.

Director Jung referred to Exhibit A, page 1 where the purchase price limit on the island of Hawaii is listed as \$360,000. He noted that the number of homes with a sales price of less than \$250,000 in West Hawaii is zero; and the inventory for price range between \$250,000-\$360,000 is less than 50. Although he supported the program, he believed that it would not be beneficial to the residents of West Hawaii.

Executive Director Stephanie Aveiro commented that as the State housing agency, HCDCH should continue working with the lenders to provide affordable housing statewide.

The Chair also commented that he agreed that HCDCH should continue issuing bonds, as this will provide residents the opportunity to purchase their homes.

There being no further discussion, the motion was unanimously carried.



Director Larson moved, seconded by Director Thompson

RECESS

That the meeting be recessed at 10:40 a.m.

The motion was unanimously carried; the Chair called the meeting back to order at 10:50 a.m.

Executive Director Stephanie Aveiro introduced Don Couch, Office of the Mayor, County of Maui who explained Maui County's request for two parcels next to the Lahaina Civic Center. Mr. Couch stated that with the development of the Villages of Leialii, the County will lose parking area for the Civic Center. The two parcels, which total approximately 20 acres, would be used to provide parking as well as a park, which would fulfill the park dedication credits for the master plan.

Ms. Aveiro added that a right of entry is needed before a large annual event that is scheduled to be held in November, which would require additional parking.

Designee Oliva asked if the area is partially graded to which Mr. Couch answered that it is not. Mr. Couch commented that the County of Maui has asked for an Executive Order for the property in total. Ms. Aveiro stated that staff intends to act on the request for a right of entry and will discuss the Executive Order in conjunction with the asset management report.

Director Thompson asked if there was any discussion as far as payment for the land.

Mr. Couch answered that there was no discussion. Ms. Aveiro commented that there was a small discussion regarding sewer credits in exchange for the property but that this is still preliminary.

Staff's recommendations were presented as follows:

- A. That the Board of Directors of the Housing and Community Development Corporation of Hawaii approve the Award of Low Income Housing Tax Credit to the following projects:
  - 1. The Courtyards at Mililani Mauka:
    - a. The allocation of up to \$778,105 of annual federal and \$233,431 of annual state low income housing tax credits to the Pacific Housing Assistance Corporation; subject to the terms as described in Section II, Subsection G and the following project specific conditions:
    - b. The Developer's Fee and Overhead of this project does not exceed \$98,000.
    - c. Submittal of a letter from the City and County of Honolulu, Board of Water Supply verifying the availability of water for this project.
    - d. Submittal of a letter from the City and County of Honolulu verifying the adequacy of the existing sewer system for this project.
    - e. Submittal of a complete set of plans and specifications and soils reports.

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CREDITS

2. The Courts:

- a. The allocation of up to \$563,672 of annual federal and \$169,102 of annual state low income housing tax credits to the Pacific Housing Assistance Corporation subject to the terms as described in Section II, Subsection G.
- b. Developer fee and overhead does not exceed \$96,000.
- c. Submittal of an approved letter from the County of Maui confirming the adequacy of the existing sewer system for this project.
- d. Submittal of a complete set of plans and specifications, soils reports and drainage report.

- B. That the Board of Directors of the Housing and Community Development Corporation of Hawaii authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Designee Oliva moved, seconded by Director King

That staff's recommendations be approved.

Finance Branch Manager Darren Ueki explained that the Low-Income Housing Tax Credit (LIHTC) Program sets an annual limit on the amount of low-income tax credits that can be allocated to each state. The annual per capita limit is \$1.85 for 2005 or \$2.36 million for Hawaii and unused tax credits can be carried over into 2006 for allocated awards for that year. State credits are based on 30% of the federal tax credit, or \$700,876 for 2005.

These credits are based on a project meeting the following general guidelines:

- 20% of the units must be rented to households with incomes of 50% or less than the area median gross household income or at least 40% of its units rented to households with incomes of 60% or less than the area median gross household income;
- The area median gross household income varies in each county and is adjusted for family size; and
- Projects must comply with the rental rate and household income restrictions for a minimum of 30 years thus assuring housing for the low-income families for this time period.

HCDCH received four applications by the deadline. The amount of tax credits applied for (\$2.174 million Federal tax credits; \$642,422 State tax credits) was lower than the total amount of tax credits available (\$2.336 million for Federal; \$700,876 for state). Those applying we're:

- Hawaii Intergenerational Community Development Association (HICDA) (Nanaikeola Senior Housing)
- Homeless Solutions Inc. (Waianae Supportive Housing Project)
- Pacific Housing Assistance Corporation (The Courts)
- Pacific Housing Assistance Corporation (The Courtyards at Mililani Mauka)

Staff reviewed the applications and evaluated each applicant against a standard set of criteria and guidelines of the 2004-2005 Qualified Allocation Plan. Two of the projects (The Courts and The Courtyards at Mililani Mauka) are being recommended for approval. The remaining two projects (Nanaikeola Senior Housing and Waianae Supportive Housing Project) are being recommended to defer any action until October 25, 2005 to give the applicants an opportunity to respond to staff's questions. Staff will bring its recommendations back to the Board after October 25, 2005.

Mr. Ueki noted that HICDA has returned LIHTC in the past and that the proposed Nanaikeola project indicates that there are roadway issues as well as the uncertainty as to the feasibility and ability to concurrently construct several phases of the project.

The Waianae Supportive Housing Project may be premature as the applicant is requesting to have its award on a project based Section 8 program rather than the project itself. The applicant responded that the project is feasible without the subsidy but did not submit supporting documentation to validate this.

Mr. Ueki then introduced Marvin Awaya of Pacific Housing Assistance Corporation.

Director Thompson expressed his concern that not all the funds would be used for its intended purpose. He further commented on the scoring process, which may include criteria that is too subjective.

Mr. Ueki agreed that three of the listed criteria might be too subjective; however there is reasonable logic of how the scores were determined. Due to this, staff recommends that the two projects have the action deferred until staff is reasonably satisfied with the developers' answers. Staff believes that the Homeless Solutions application may be premature but is willing to not recommend that the project be denied outright.

Director Thompson asked how January 7, 2005 was determined as the deadline for application for the 2005 tax credits. Mr. Ueki answered that staff determined it, as an early deadline is better for the contractor to begin work. Mr. Awaya stated that should the awards be granted, the project would move forward beginning in July or August.

Designee Oliva asked about the lottery process to which Mr. Awaya answered that it will be similar to those used in the past and would be in compliance to the program requirements for the low-income occupants of the project.

Director Larson commented on those residents who are lower than the 30% median gross income as being ineligible for the program. She asked if there could be a priority set for this population group.

The Chair stated that this was a good intention but not pertinent to the action before the Board.

After discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That the Board of Directors of the Housing and Community Development Corporation of Hawaii approve the State of Hawaii Consolidated Plan, Action Plan for Program Year 2005-2006 and authorize the Executive Director to sign documents (including the application and form and authorize the Executive Director to sign documents (including the application form and certifications) and enter into agreements, as may be required to submit and implement the Action Plan.

APPROVAL  
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FOR  
PROGRAM  
YEAR  
2005-2006

Director Jung moved, seconded by Designee Oliva

That staff's recommendation be approved.

Chief Planner Janice Takahashi explained that the Consolidated Plan consists of a housing and homeless needs assessment, a housing market analysis, a 5-year strategic plan, which identifies general housing goals and objectives. Included also is an action plan of how federal funds will be distributed and invested during the fiscal year to attain the state's housing goals. The State's Consolidated Action Plan focuses on the counties of Kauai, Hawaii and Maui. The City and County of Honolulu has its own Consolidation Plan that it submits.

Ms. Takahashi further stated that HCDCH is eligible to receive \$3.064 million under the Home Investment Partnership (HOME) program; \$224,000 in the Emergency Shelter Grant (ESG), and \$169,000 for the Housing Opportunities for People with AIDS (HOPWA). A typographical error was noted on page 3 of the For Action, of the Proposed HOME Program Activities listing the American Dream Downpayment Initiative amount allocated to the County of Maui should be \$21,554 and not \$121,554.

Director Jung referred to Appendix D of the Plan, which showed areas of the Island of Hawaii that are Low/Moderate Income Household Areas by census tracts noting that there are none in West Hawaii and asked how it would affect the Plan. Ms. Takahashi answered that there are Community Development Block Grant (CDBG) funds that are available for use in low/moderate income areas. However only the Hualalai Elderly Housing in West Hawaii has been identified for the HOME program.

Director Jung commented that until the Geographical Information System (GIS) presentation coordinated by Linda Smith of the Office of the Governor, it was difficult to visualize exactly what was available for development purposes. Since then a 115-120 acre parcel of land has been identified that may be the only tract of land that might be able to be developed in West Hawaii. Director Jung encouraged staff to make a concerted effort to work with the counties to pursue developing this piece of land. The people of West Hawaii have no affordable housing available to them and as the population increases, problems such as traffic congestion increases as well.

Designee Oliva asked what would happen should the counties not use all the funds allocated to them. Ms. Takahashi responded that other counties would be able to use them; no funds would be lapsed.

Director Thompson asked about the funds that were previously allocated to Maui County. Executive Director Stephanie Aveiro answered that the other counties were able to use the funds not used by the County of Maui.

After discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That Reserve Account for Loan One and Loan Two is closed and consolidated to one Reserve Account, referred to as Reserve 2. That HCDCH, Administrative Services Section Office continue to maintain the Reserve Account at \$147,000 and replenish, as needed, with a minimum annual contribution of \$14,700 in accordance to the agreement with the U.S. Department of Agriculture, Rural Development.

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Director King moved, seconded by Designee Manayan

That staff's recommendation be approved.

Finance Branch Manager Darren Ueki explained that the Nani O Puna Rental Housing on the island of Hawaii consists of eight wooden frame buildings with a total of 32 units. The project provides housing for domestic farm laborers. The project currently has two reserve accounts for maintenance and one reserve account for tax purposes. The maintenance reserve accounts amount to a total of \$153,668; minimum amount to be kept in the reserve is \$147,000.

The U.S. Department of Agriculture approved a request by the auditors to waive the Reserve Accounts for the two outstanding loans. Staff also received approval from the Rural Development Office to withdraw \$56,087 from the reserve account to pay for renovations that were made to the project. Mr. Ueki stated that this renovation includes floor tile removal/replacement for asbestos.

Executive Director Stephanie Aveiro clarified that HCDCH is allowed to draw down from the reserve account and restore the required minimum amount with annual transfers of approximately \$14,700.

There being no further discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That Mr. James E. DeMello, Mr. Robert Palea, Ms. Eleanor Garcia and Ms. Juliette Tulang be reappointed to the Hilo Eviction Board for a Two-Year Term Expiring on July 31, 2007.

Director King moved, seconded by Director Jung

That staff's recommendation be approved.

Director Larson commended staff for having a diverse group of members on the Eviction Board from different parts of the community.

There being no further discussion, the motion was unanimously carried.

REAP-  
POINTMENT  
OF  
MR. JAMES  
E. DeMELLO,  
MR.  
ROBERT  
PALEA,  
MS.  
ELEANOR  
GARCIA  
AND  
MS.  
JULIETTE  
TULANG  
TO THE  
HILO  
EVICTION  
BOARD

Staff's recommendations were presented as follows:

That Ms. LaFrance Kapaka-Arboleda, Ms. Ludvina Takahashi and Mr. Gary Mackler be reappointed to the Kauai Eviction Board for a Two-Year Term Expiring on August 31, 2007; and

That Mrs. Hannah M. Wilson, Mr. Wayne Gocke and Mr. Ross Oue be reappointed to the Kona Eviction Board for a Two-Year Term Expiring on July 31, 2007.

Director King moved, seconded by Director Thompson

That staff's recommendations be approved.

The motion was unanimously carried.

Executive Director Stephanie Aveiro reported that the Ele`ele Ho`oulu Resident Association elected new officers on April 6, 2005. It was first recognized by the HCDCH Board of Directors on March 20, 2003 and has been active in establishing various community activities.

FOR A  
TWO-YEAR  
TERM  
EXPIRING  
ON  
07/31/2007

REAP-  
POINTMENT  
OF  
MS. LA  
FRANCE  
KAPAKA-  
ARBOLEDA,  
MS. LUDVINA  
TAKAHASHI,  
AND  
MR. GARY  
MACKLER  
TO THE  
KAUAI  
EVICTION  
BOARD  
FOR A  
TWO-YEAR  
TERM  
EXPIRING  
ON  
08/31/2007

AND  
  
REAP-  
POINTMENT  
OF MRS.  
HANNAH M.  
WILSON,  
MR. WAYNE  
GOCKE  
AND  
MR. ROSS  
OUE  
TO THE  
KONA  
EVICTION  
BOARD  
FOR A  
TWO-YEAR  
TERM  
EXPIRING  
ON  
07/31/2007

ACKNOWL-  
EDGMENT  
OF NEW  
OFFICERS  
FOR THE  
ELE`ELE  
HO`OULU  
RESIDENT  
ASSOCIA-

Executive Assistant Pamela Dodson reported on the recent appointment of Marilyn Labayog as the Property Management and Maintenance Branch (PMMB) Chief on May 2, 2005. Ms. Labayog is currently working with the managers to address many of the issues with the public housing projects such as the Tenants' Account Receivable balances. It is believed that with the filling of the PMMB Branch Chief and the Public Housing Supervisor for the Management Section (Doug Miki), that improvement in this area will soon materialize.

Ms. Dodson further reported on the success of the Memorandum of Understanding (MOU) with the Department of Accounting and General Services (DAGS) and the 180 vacant units that were repaired and made ready for occupancy. The MOU is scheduled to end in May 17, 2005 after its inception in December 2004.

All management units are preparing for the Real Estate Assessment Center (REAC) inspections of the 67 federal public housing projects statewide. Staff is determined to improve its score from last year when 27 projects scored below the minimum passing score of 60. Health and safety issues have been addressed as well as the conditions of the interior/exterior of the units, curbside appeal were major focal points of staff. Although staff is aware that some projects will still not be able to meet the minimum due to the extent of the deterioration of the project, staff is confident that the majority of the projects will pass inspection.

Ms. Dodson also reported on the Rental Integrity Monitoring (RIM) review of the public housing and Section 8 programs in April. The main purpose of the RIM review is to determine the accuracy of the agency in its determination of a resident's rent relative to their income. HUD reviewed a total of 40 public housing tenant files and 40 Section 8 tenant files. Both error rates improved significantly as a result of staff training and mandatory supervisor review each month of 10% of all files. In 2004, the error rate for Public Housing and Section 8 were 81% and 53% respectively. In 2005, the error rates dropped to 38% (Public Housing) and 35% (Section 8).

Discussions are continuing with the City and County of Honolulu (C&C) regarding the transfer of the Section 8 staff. There are outstanding issues that need to be addressed; however January 2006 remains the target date for the transfer.

Maui Area Manager Clifford Libed was then invited to address the Board. Mr. Libed explained the problems with the high Tenants' Accounts Receivable (TAR) balance. Mr. Libed commented that many of the units are literally destroyed once the tenants vacate them and the units must then have major repairs done before they can be occupied again.

If the uncollectible rent payments could be written off on a timelier basis, this would make a big impact on the TAR report. Mr. Libed expressed his appreciation to the Executive Director and staff for their support. Assistance from Oahu provided much needed help on Molokai and Maui for the repair work of the units.

Mr. Libed commented that residents need to be educated and held accountable for their actions. Noting that the rents are affordable, the residents should have the ability to pay. If not, they should be removed and replaced with one of the many on the long waiting list. The new administrative rules that are in place has hastened the process of eviction and the tenants are now realizing that evictions will occur should they not pay their rent. He also added that with peer pressure, raising the standards of living in the projects would enhance the quality of life of the residents as well as making them self-sufficient.

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PROPERTY  
MANAGE-  
MENT  
AND  
MAIN-  
TENANCE  
BRANCH  
STATUS  
REPORT

In response to Director Thompson's query, Mr. Libed stated that there were currently 27 vacancies under his jurisdiction with a turnaround time of 15-20 days depending on the condition of the unit. This process can be greatly lengthened

when there are extensive damages and if appliances need to be replaced. Mr. Libed stated that the p-card, which is a charge card used by certain State employees, has given him the ability to purchase items in a quick and efficient manner. He is aware that he is held accountable for his purchases and this will also help in the project-based accounting system that will soon be in place.

The Chair commented that it was good feedback to hear from Mr. Libed and his reactions to the new administrative rules. He then declared a recess at 12:10 p.m.; meeting reconvened at 12:35 p.m.

Executive Director Stephanie Aveiro reported that the Villages of Kapolei received four proposals in response to a Request for Proposals (RFP) for three parcels to develop 350 to 400 multifamily units. Reviewers will meet and it is planned to present their recommendations to the Board at their July Board meeting.

Ms. Aveiro also reported on the scheduled demolition of the Uluwehi Apartments. These apartments will be replaced by new emergency, transitional and affordable housing project. RFP for the new project has been issued and the deadline to submit is July 15, 2005.

Although there has been some who have voiced their concerns about the proposed demolition, staff will proceed with it as planned. Chairman Sted also reinforced staff's decision in a letter to those who opposed it.

The Chair suggested a communication plan be developed regarding the demolition of the apartments. Ms. Aveiro stated that the people in the neighborhood have voiced their support for the demolition due to the safety and health issues, which surround the existing buildings. Additionally Rep. Mike Kahikina is also supportive of staff's plans.

The Chair encouraged staff to not only be proactive with the demolition of the Uluwehi Apartments, but also with the other positive news that surround the agency such as the vast improvement in the RIM scores.

Ms. Aveiro commented that the Housing Information Specialist Georgina Lopez is continuously writing Letters to the Editor and Press Releases informing the public of what the agency is doing for the community.

Director Thompson added that the bond issuance and tax credits activities in the Finance Branch are other positive news that would affect the residents. He further encouraged staff to do its evaluation of the RFP for the three parcels in Kapolei quickly and have it on the agenda for the June Board meeting.

Ms. Aveiro stated that she would have staff strive for this deadline. She continued with the report by stating that Directors Jung and Smith met in Kona with other government officials regarding possible affordable housing developments in Kona. Staff, in its investigation with the Department of Land and Natural Resources (DLNR) have identified only one un-subdivided non ceded land which are either part or next to the Villages of La`i`opua.

Director Jung added that the meeting included members of the Mayor's Office, County Council, Governor's Office, Director of Planning as well as the news media. He further stated that with the GIS presentation, the 300 acres was identified at the top of Henry Street which would be an ideal location for affordable housing; it would not only provide for housing but it would also alleviate traffic congestion as well as the traffic would be shifted to the North side of Palani Road. As the infrastructure is already in place, development of

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TION -  
DEVELOP-  
MENT  
BRANCH  
STATUS  
REPORT



housing would be that much faster. A joint effort with the County and State could have development rights turned over to a private developer. A tremendous opportunity to not only provide housing, but solve some of the traffic problems as well as be prepared for a growing population with the medical facilities that are being planned for that area.

Director Jung further suggested that a Resolution adopted by the Board that has all the key government agencies supporting this effort would help to fast track the housing process.

Ms. Aveiro stated that a consultant would be needed to which Director Jung volunteered his services to the agency. He further suggested that the Governor could give the land to HCDCH and then the County can proceed with the proper zoning. He urged staff to continue to pursue the development of this parcel of land in Kona for affordable housing.

Ms. Aveiro continued the report by informing the Board of SCR 178, a concurrent resolution passed by the Legislature. This resolution opposes the transfer of the Waiahole Valley Agricultural Park and Residential Lots Subdivision by HCDCH to DHHL and further requests HCDCH to rescind the agreement with DHHL. This resolution will be discussed at the next Board meeting.

Director Thompson commented that in a recent discussion with Dan Omer of Hana Ranch, are pursuing donating 15-100 acres of land for development of homes. Approximately \$1.5 million in infrastructure is in place and the land would be at no cost. Ms. Aveiro stated that that she will contact him about how the land could be transferred to the State.

Director Jung added that once infrastructure is in place, development could proceed that much quicker. Director Thompson encouraged staff to take the lead with the development of affordable housing.

Director King moved, seconded by Director Jung

EXECUTIVE  
SESSION

That the HCDCH Board of Directors meet in Executive  
Session at 1:00 p.m.

The motion was unanimously carried.

\* \* \* \* \*

Director King moved, seconded by Designee Oliva

ADJOURN-  
MENT

That the meeting be adjourned at 1:35 p.m.

The motion was unanimously carried.

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FRANCIS L. JUNG  
Secretary

Approved:

